



FEDERAL ELECTION COMMISSION  
WASHINGTON, D.C. 20463

**CERTIFIED MAIL**  
**RETURN RECEIPT REQUESTED**

**DEC 19 2007**

Nancy H. Watkins, Treasurer  
Martinez for Senate  
610 South Boulevard  
Tampa, FL 33606

RE: MUR 5959  
Martinez for Senate  
Nancy H. Watkins in her official capacity  
as Treasurer

Dear Ms. Watkins:

In the normal course of carrying out its supervisory responsibilities, the Federal Election Commission (the "Commission") became aware of information suggesting that Martinez for Senate (the "Committee") and you, in your official capacity as Treasurer, may have violated the Federal Election Campaign Act of 1971, as amended (the "Act"). On December 14, 2007, the Commission found reason to believe that the Committee and you, in your official capacity as Treasurer, violated 2 U.S.C. §§ 434(a), 441a(f) and 11 C.F.R. §§ 104.5(f) and 102.17(c)(8), provisions of the Act. Enclosed is the Final Audit Report that sets forth the basis for the Commission's determination.

We have also enclosed a brief description of the Commission's procedures for handling possible violations of the Act. In addition, please note that you have a legal obligation to preserve all documents, records and materials relating to this matter until such time as you are notified that the Commission has closed its file in this matter. See 18 U.S.C. § 1519. In the meantime, this matter will remain confidential in accordance with 2 U.S.C. §§ 437g(a)(4)(B) and 437g(a)(12)(A), unless you notify the Commission in writing that you wish the investigation to be made public.

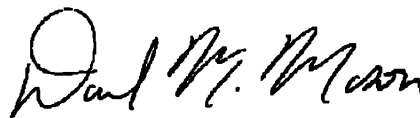

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If you intend to be represented by counsel in this matter, please advise the Commission by completing the enclosed Designation of Counsel form stating the name, address, and telephone number of such counsel, and authorizing such counsel to receive any notifications and other communications from the Commission.

We look forward to your response.

Sincerely,



David Mason  
Vice-Chairman

**Enclosures**

Final Audit Report

Procedures

Designation of Counsel Form



## Report of the Audit Division on Martinez for Senate

January 5, 2004 – December 31, 2004

### Why the Audit Was Done

Federal law permits the Commission to conduct audits and field investigations of any political committee that is required to file reports under the Federal Election Campaign Act (the Act). The Commission generally conducts such audits when a committee appears not to have met the threshold requirements for substantial compliance with the Act.<sup>1</sup> The audit determines whether the committee complied with the limitations, prohibitions and disclosure requirements of the Act.

### Future Action

The Commission may initiate an enforcement action, at a later time, with respect to any of the matters discussed in this report.

### About the Campaign (p. 2)

Martinez for Senate is the principal campaign committee for Mel Martinez, Republican candidate for the U.S. Senate from the state of Florida, and is headquartered in Tampa, Florida. For more information, see chart on the Campaign Organization, p. 2.

### Financial Activity (p. 2)

• Receipts	
○ From Individuals	\$ 9,659,738
○ From Political Committees	1,983,294
○ Transfers from Affiliated/Other Party Committees	705,173
○ Other Receipts	14,846
○ Total Receipts	\$ 12,363,051
• Disbursements	
○ Operating Expenditures	\$ 12,314,097
○ Contribution Refunds	28,290
○ Total Disbursements	\$ 12,342,387

### Findings and Recommendations (p. 3)

- Receipt of Contributions that Exceed Limits (Finding 1)
- Failure to File 48-Hour Notices (Finding 2)
- Disclosure of Proceeds from Joint Fundraising Activity (Finding 3)
- Disclosure of Occupation and Name of Employer (Finding 4)

<sup>1</sup> 2 U.S.C. §438(b).

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## **Part I**

### **Background**

#### **Authority for Audit**

This report is based on an audit of Martinez for Senate (MFS), undertaken by the Audit Division of the Federal Election Commission (the Commission) in accordance with the Federal Election Campaign Act of 1971, as amended (the Act). The Audit Division conducted the audit pursuant to 2 U.S.C. §438(b), which permits the Commission to conduct audits and field investigations of any political committee that is required to file a report under 2 U.S.C. §434. Prior to conducting any audit under this subsection, the Commission must perform an internal review of reports filed by selected committees to determine if the reports filed by a particular committee meet the threshold requirements for substantial compliance with the Act. 2 U.S.C. §438(b).

#### **Scope of Audit**

Following Commission approved procedures, the Audit staff evaluated various risk factors and as a result, this audit examined:

1. The receipt of excessive contributions.
2. The receipt of contributions from prohibited sources.
3. The disclosure of contributions received.
4. The consistency between reported figures and bank records.
5. The completeness of records.
6. Other committee operations necessary to the review.

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## Part II

### Overview of Campaign

#### Campaign Organization

<b>Important Dates</b>	<b>Martinez for Senate</b>
• Date of Registration	January 5, 2004
• Audit Coverage	January 5, 2004 through December 31, 2004
<b>Headquarters</b>	Tampa, Florida
<b>Bank Information</b>	
• Bank Depositories	Three
• Bank Accounts	Four
<b>Treasurer</b>	
• Treasurer When Audit Was Conducted	Nancy H. Watkins
• Treasurer During Period Covered by Audit	Charles W. Puckett
<b>Management Information</b>	
• Attended FEC Campaign Finance Seminar	Yes (current Treasurer only)
• Used Commonly Available Campaign Management Software Package	Yes
• Who Handled Accounting, Recordkeeping Tasks and Other Day-to-Day Operations	Paid and Volunteer Staff

### Overview of Financial Activity

#### (Audited Amounts)

<b>Cash on hand @ January 13, 2004</b>	<b>\$</b>	<b>0</b>
<b>Receipts</b>		
o From Individuals	\$	9,659,738
o From Political Committees		1,983,294
o Transfers from Affiliated/Other Party Committees		705,173
o Other Receipts		14,846
o <b>Total Receipts</b>		<b>\$ 12,363,051</b>
<b>Disbursements</b>		
o Operating Expenditures	\$	12,314,097
o Contribution Refunds		28,290
o <b>Total Disbursements</b>		<b>\$ 12,342,387</b>
<b>Cash on hand @ December 31, 2004</b>	<b>\$</b>	<b>20,664</b>

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## **Part III Summaries**

### **Findings and Recommendations**

#### **Finding 1. Receipt of Contributions that Exceed Limits**

MFS accepted 186 contributions from individuals that exceeded the limit by \$313,235. Most of these excessive contributions resulted from improper redesignations and/or reattributions. In response to the interim audit report recommendation, MFS provided copies of notices sent to contributors that were eligible for presumptive redesignation and/or reattribution. In addition, MFS provided copies of negotiated refund checks and/or copies of refund checks prepared but not negotiated. (For more detail, see page 4.)

#### **Finding 2. Failure to File 48-Hour Notices**

MFS did not file 48-hour notices for 109 contributions totaling \$162,014 prior to both the primary and general elections. In response to the interim audit report recommendation, MFS agreed that 48-hour notices were not filed for the contributions in question. (For more detail, see page 7.)

#### **Finding 3. Disclosure of Proceeds from Joint Fundraising Activity**

MFS did not properly disclose the receipt of net proceeds from four joint fundraising committees. In response to the interim audit report recommendation, MFS filed amended reports that corrected the disclosure discrepancies. (For more detail, see page 7.)

#### **Finding 4. Disclosure of Occupation and Name of Employer**

MFS did not adequately disclose occupation and/or name of employer information for approximately 46% of the contributions from individuals tested on a sample basis. In addition, MFS did not demonstrate best efforts to obtain, maintain and submit the information. In response to the interim audit report recommendation, MFS filed the necessary amendments to materially correct the deficiencies noted. (For more detail, see page 9.)

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## Part IV

# Findings and Recommendations

### **Finding 1. Receipt of Contributions that Exceed Limits**

#### **Summary**

MFS accepted 186 contributions from individuals that exceeded the limit by \$313,235. Most of these excessive contributions resulted from improper redesignations and/or reattributions. In response to the interim audit report recommendation, MFS provided copies of notices sent to contributors that were eligible for presumptive redesignation and/or reattribution. In addition, MFS provided copies of negotiated refund checks and/or copies of refund checks prepared but not negotiated.

#### **Legal Standard**

**A. Authorized Committee Limits:** An authorized committee may not receive more than a total of \$2,000 per election from any one person. Increased contribution limits are provided for candidates facing self-financed candidates once the self-financed candidates make expenditures from their personal funds that exceed a specific amount. 2 U.S.C. §441a(a)(1)(A) and §441a(i); 11 CFR §§110.1(a) and (b) and 110.9(a).

**B. Handling Contributions That Appear Excessive.** If a committee receives a contribution that appears to be excessive, the committee must either:

- return the questionable contribution to the donor; or
- deposit the contribution into its federal account and keep enough money on account to cover all potential refunds until the legality of the contribution is established. 11 CFR §103.3(b)(3) and (4).

The excessive portion may also be redesignated to another election or reattributed to another contributor as explained below.

**C. Redesignation of Excessive Contributions.** The committee may ask the contributor to redesignate the excess portion of the contribution for use in another election.

- The committee must, within 60 days of receipt of the contribution, obtain and retain a signed redesignation letter which informs the contributor that a refund of the excessive portion may be requested; or
- refund the excessive amount. 11 CFR §§110.1(b)(5), 110.1(l)(2) and 103.3(b)(3).

Notwithstanding the above, when an authorized political committee receives an excessive contribution from an individual or a non-multi-candidate committee, the committee may presumptively redesignate the excessive portion to the general election if the contribution:

- Is made before that candidate's primary election;
- Is not designated in writing for a particular election;
- Would be excessive if treated as a primary election contribution; and
- As redesignated, does not cause the contributor to exceed any other contribution limit.

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Also, the committee may presumptively redesignate the excessive portion of a general election contribution back to the primary election if the amount redesignated does not exceed the committee's primary net debt position.

The committee is required to notify the contributor in writing of the redesignation within 60 days of the treasurer's receipt of the contribution and must offer the contributor the option to receive a refund instead. For this action to be valid, the committee must retain copies of the notices sent. Presumptive redesignations apply only within the same election cycle. 11 CFR §110.1(b)(5)(ii)(B) & (C) and (l)(4)(ii).

**D. Reattribution of Excessive Contributions.** When an authorized committee receives an excessive contribution, the committee may ask the contributor if the contribution was intended to be a joint contribution from more than one person.

- The committee must, within 60 days of receipt of the contribution, obtain and retain a reattribution letter signed by all contributors; or
- refund the excessive contribution. 11 CFR §§110.1(k)(3), 110.1(l)(3) and 103.3(b)(3).

Notwithstanding the above, any excessive contribution that was made on a written instrument that is imprinted with the names of more than one individual may be attributed among the individuals listed unless instructed otherwise by the contributor(s). The committee must inform each contributor:

- how the contribution was attributed; and
- the contributor may instead request a refund of the excessive amount. 11 CFR §110.1(k)(3)(ii)(B).

For this action to be valid, the committee must retain copies of the notices sent. 11 CFR §110.1(l)(4)(ii).

**E. Refund or Disgorge Questionable Contributions.** If the identity of the original contributor is known, the committee must either refund the funds to the source of the original contribution or pay the funds to the U.S. Treasury. AO 1996-5.

### **Facts and Analysis**

Martinez for Senate qualified for increased limits afforded candidates opposing self-financed opponents. MFS's limitation was increased threefold (\$6,000) on June 14, 2004 and subsequently sixfold (\$12,000) on July 16, 2004. The increased limitation period ended on August 31, 2004, the date of the primary election.

The Audit staff reviewed all contributions from individuals to determine if excessive contributions were received. The Audit staff identified 186 contributions from individuals that exceeded the limit by \$313,235. During this review, it was noted that MFS routinely redesignated contributions to another election or reattributed contributions to another contributor. However, no documentation was provided by MFS in support of these redesignations and reattributions; neither signed redesignations or reattributions, nor the contributor notifications required to take advantage of the presumptive reattribution or redesignation options discussed above.

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Of the excessive contributions, \$218,628 (70%) resulted from improper presumptive redesignations and/or reattributions. The remaining excessive contributions totaling \$94,607 exceeded the limits per election cycle and could not be resolved through redesignation and/or reattribution based upon available documentation. MFS did not maintain sufficient funds in its bank accounts to make the necessary refunds.

At the exit conference, the Audit staff provided the MFS treasurer with schedules of the excessive contributions noted above. She agreed to review these schedules to determine whether she concurred with the exceptions listed and respond accordingly.

### **Interim Audit Report Recommendation and Committee Response**

The Audit staff recommended that MFS:

- Send notices to those contributors that were eligible for presumptive redesignation and/or reattribution (\$218,628) to inform those contributors how the contribution was designated and/or attributed and offer a refund of the excessive portion. Absent a request for a refund by the contributors, these notices would have obviated the need for contribution refunds or payments to the U.S. Treasury. For notices sent to contributors, MFS should have provided a copy of each notice and evidence that it was sent. Such notice must demonstrate that both the contributor and the individual to whom the contribution was reattributed were notified; and
- Provide evidence demonstrating that the remaining contributions totaling \$94,607 were not excessive. Such evidence should have included, but not be limited to, documentation that the contributions were reattributed or redesignated in a timely manner or that the excessive contributions were timely refunded; or
- Absent such evidence, refund \$94,607 to the contributors or to the U.S. Treasury and provide evidence of such refunds (copies of the front and back of negotiated refund checks); or
- If funds were not available to make the necessary refunds, disclose the contributions requiring refunds on Schedule D (Debt and Obligations) until funds became available to make such refunds.

In response to the interim audit report recommendation, MFS provided copies of notices sent to contributors that were eligible for presumptive redesignation and/or reattribution. MFS also provided evidence (declaration from the treasurer) that the notices were sent to both the contributors and the individuals to whom the contributions were reattributed. For the remaining contributions totaling \$94,607, MFS provided copies of negotiated refund checks (\$57,990) and copies of refund checks prepared but not negotiated (\$36,617). Of the \$36,617, refunds totaling \$6,417 were reported. Until copies of negotiated refund checks are submitted, the \$36,617 is considered unresolved. MFS stated its intention to provide copies of the remaining negotiated refund checks once they clear the bank.

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## **Finding 2. Failure to File 48-Hour Notices**

### **Summary**

MFS did not file 48-hour notices for 109 contributions totaling \$162,014 prior to both the primary and general elections. In response to the interim audit report recommendation, MFS agreed that 48-hour notices were not filed for the contributions in question.

### **Legal Standard**

**Last-Minute Contributions (48-Hour Notice).** Campaign committees must file special notices regarding contributions of \$1,000 or more received less than 20 days but more than 48 hours before any election in which the candidate is running. This rule applies to all types of contributions to any authorized committee of the candidate. 11 CFR §104.5(f).

### **Facts and Analysis**

The Audit staff reviewed 1,496 contributions, totaling \$2,743,379, which were greater than or equal to \$1,000 and received during the 48-hour notice filing periods of both the primary and general elections. MFS did not file 48-hour notices for 109 contributions totaling \$162,014 (\$21,500 for the primary election and \$140,514 for the general election). Most of the 48-hour notices that were not filed arose from credit card contributions (\$67,000) and contributions received by a telemarketer for MFS.

At the exit conference, MFS was provided schedules of the 48-hour notices not filed. The MFS treasurer stated that these schedules would be reviewed and any comments or corrections would be submitted in writing.

### **Interim Audit Report Recommendation and Committee Response**

The Audit staff recommended that MFS provide:

- documentation to demonstrate the contributions in question were properly included in 48-hour notices; or,
- documentation establishing the contributions were not subject to 48-hour notification; and/or,
- any written comments it considers relevant.

In response to the interim audit report recommendation, MFS indicated that they had reviewed the records and agreed that 48-hour notices were not filed for the contributions in question.

## **Finding 3. Disclosure of Proceeds from Joint Fundraising Activity**

### **Summary**

MFS did not properly disclose the receipt of net proceeds from four joint fundraising committees. In response to the interim audit report recommendation, MFS filed amended reports that corrected the disclosure discrepancies.

### **Legal Standard**

**Itemization of Contributions from Joint Fundraising Efforts.** Participating political committees must report joint fundraising proceeds in accordance with 11 CFR 102.17(c)(8) when such funds are received from the fundraising representative. 11 CFR §102.17(c)(3)(iii).

Each participating political committee reports its share of the net proceeds as a transfer-in from the fundraising representative and must also file a memo Schedule A (Itemized Receipts) itemizing its share of gross receipts as contributions from the original contributors to the extent required under 11 CFR 104.3(a). 11 CFR §102.17(c)(8)(i)(B).

### **Facts and Analysis**

MFS was a participant in four joint fundraising committees. It received a total of \$319,816 in net proceeds from these committees; \$245,370 from the 2004 Joint Candidate Committee II (JCC2), \$43,329 from the Senate Majority Committee (SMC), \$16,000 from Martinez Victory Fund (MVF), and \$15,117 from the Majority Fund for America's Future (MFAF). The Audit staff's review of these transfers noted the following:

- MFS did not itemize its share of the gross receipts as contributions from the original contributors as required on memo Schedules A for transfers totaling \$260,487 from JCC2 and MFAF. MFS's records did contain the contributor information for the transfer (\$245,370) from JCC2.
- MFS did not itemize transfers totaling \$59,329 from the SMC or MVF on Schedule A, line 12, Transfers from Other Authorized Committees, as required. Instead MFS disclosed the contributors at a net amount on Schedule A, line 11a, Contributions from Individuals, without any reference as to the source of the contribution.

The Audit staff discussed this matter with MFS' treasurer at the exit conference. The treasurer stated that amendments had already been prepared to correct the deficiencies noted above.

### **Interim Audit Report Recommendation and Committee Response**

The Audit staff recommended that MFS file amended Schedules A to correctly disclose the receipt of net fundraising proceeds, along with the required memo entries.

In response to the interim audit report recommendation, MFS filed amended reports that corrected the disclosure discrepancies.

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## **Finding 4. Disclosure of Occupation and Name of Employer**

### **Summary**

MFS did not adequately disclose occupation and/or name of employer information for approximately 46% of the contributions from individuals tested on a sample basis. In addition, MFS did not demonstrate best efforts to obtain, maintain and submit the information. In response to the interim audit report recommendation, MFS filed the necessary amendments to materially correct the deficiencies noted.

### **Legal Standard**

**A. Required Information for Contributions from Individuals.** For each itemized contribution from an individual, the committee must provide the contributor's occupation and the name of his or her employer. 2 U.S.C. §431(13) and 11 CFR §100.12.

**B. Best Efforts Ensures Compliance.** When the treasurer of a political committee shows that the committee used best efforts (see below) to obtain, maintain, and submit the information required by the Act, the committee's reports and records will be considered in compliance with the Act. 2 U.S.C. §432(h)(2)(i).

**C. Definition of Best Efforts.** The treasurer and the committee will be considered to have used "best efforts" if the committee satisfied all of the following criteria:

- All written solicitations for contributions included:
  - A clear request for the contributor's full name, mailing address, occupation, and name of employer; and
  - A statement that such reporting is required by Federal law.
- Within 30 days after the receipt of the contribution, the treasurer made at least one effort to obtain the missing information, in either a written request or a documented oral request.
- The treasurer reported any contributor information that, although not initially provided by the contributor, was obtained in a follow-up communication or was contained in the committee's records or in prior reports that the committee filed during the same two-year election cycle. 11 CFR §104.7(b).

### **Facts and Analysis**

The Audit staff reviewed reported contributions from individuals on a sample basis as the reports existed when MFS was notified of the audit<sup>2</sup> to determine if the necessary contributor information was disclosed. The review indicated that MFS had not disclosed the occupation and/or name of employer for 46% of the contributions tested. It was noted that MFS solicitation devices properly contained a request for occupation and name of employer. However, the records provided to the Audit staff did not contain any follow-

<sup>2</sup> Subsequent to receipt of the audit notification letter, MFS contacted contributors in an effort to obtain the missing contributor information. Amendments were prepared, but not filed until after receipt of the interim audit report.

up requests for missing contributor information. As a result, MFS did not appear to have made "best efforts" to obtain, maintain and report occupation and name of employer information.

The Audit staff discussed this matter with the MFS treasurer at the exit conference. The treasurer stated that most of the omissions had been corrected in the database and amendments had already been prepared.

#### **Interim Audit Report Recommendation and Committee Response**

The Audit staff recommended that MFS take the following action:

- Provide documentation such as phone logs, returned contributor letters, completed contributor contact information sheets or other materials which demonstrate that MFS timely made best efforts to obtain, maintain, and submit the required disclosure information; or
- Absent such a demonstration, make an effort to contact those individuals for whom required information is missing or incomplete and for which no documented effort to obtain the information has been made, provide documentation of such contacts (such as copies of letters to the contributors and/or phone logs), and amend its reports to disclose any information obtained from those contacts.

In response to the interim audit report recommendation, the treasurer indicated that MFS had already contacted the contributors in an effort to acquire the missing information. Amended reports had already been prepared at the time of the exit conference and were subsequently filed on February 26<sup>th</sup> and 27<sup>th</sup> of 2007. She stated that overall compliance for all 2004 reports now stands at 93.05%. The amendments filed by MFS materially corrected the deficiencies noted above.

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